Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Amendment of the Part 69	)	CC Docket No. 92-222
Allocation of General Support	)	
Facility Costs	)	

REPLY COMMENTS OF THE NYNEX TELEPHONE COMPANIES

The NYNEX Telephone Companies ("NTCs") hereby reply to the comments filed on December 4, 1992 in response to the Commission's Notice of Proposed Rulemaking in the above-captioned matter.

Nearly all of the 22 parties that filed comments supported the Commission's proposal to amend its Part 69 rules regarding allocation of General Support Facility ("GSF") costs. There was also near unanimous agreement that the reallocation of GSF costs should be accomplished through the proposed rule amendment rather than through the creation of a contribution charge.

Teleport argues that the Commission should require local exchange carriers ("LECs") to use a rate adjustment factor ("RAF") to flow through the GSF adjustment

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across-the-board to all Special Access rates.[1] MFS similarly argues that the Commission should prescribe safeguards to assure that "significantly less" of the rate reduction resulting from GSF reallocation is taken from DS1 and DS3 rates rather than from other special access services.[2] Teleport's and MFS' proposals should be rejected.

As the NTCs demonstrated in their Comments, the proposed Part 69 GSF rule change should be treated as an exogenous change under the price cap rules no different than any other Part 36 or Part 69 rule change. The price cap rules require that the LECs apply exogenous adjustments to the price cap index ("PCI") for each basket on a "cost causative" basis.[3] Accordingly, the NTCs would reduce the PCI for the Special Access basket by the amount of the shift in GSF expenses due to the rule change. Under the price cap rules, the upper and lower service band index ("SBI") for each service category within the Special Access basket would also decrease by the same percentage. This would spread the Special Access rate reduction among all of the Special Access services.[4] The NTCs would then revise the rates for each service so that the SBI for all rates within a service category remain within the SBI limits.

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1 Teleport at p. 3.

2 MFS at 6.

3 See 47 C.F.R. § 61.45(d)(4).

4 See 47 C.F.R. § 61.47(e).

The price cap rules do not require the LECs to change all rates by the same percentage. Indeed, the Commission designed the price cap rules to give the LECs pricing flexibility within each service category. The NTCs should have the flexibility under the rules to choose how to implement rate changes within the baskets and categories. Teleport's and MFS' self-serving proposals are more restrictive than the price cap rules and designed to keep rates for competitive services as high as possible. The Commission should reject them.

Teleport and MFS express concern that the rates paid by voice grade, DDS and audio/video customers will continue to support a larger share of the GSF costs than those paid by DS1 and DS3 customers.[5] Both Teleport and MFS, however, ignore the fact that under the price cap rules, separate subindices have been established for DS1 and DS3 services. The price cap rules require that these subindices be changed in the same proportion to reflect any exogenous change. This prevents cross-subsidies from occurring.

The Public Service Commission of the District of Columbia ("DCPSC") also opposes the proposed Part 69 GSF rule change since it will result in an increase in the End User Common Line charge and thus will allegedly have a detrimental impact on universal service. In the NTCs' region, there has

5 Teleport offers no factual support for its claim that the LECs' High Capacity services do not recover an equivalent share of GSF expenses. To the contrary, a recent embedded cost study for NYT indicates that DS1 and DS3 revenues exceed fully distributed costs, including appropriate loading of GSF expenses.

been no evidence that EUCL increases affect the telephone penetration rate. Indeed, in the NYNEX region, the penetration rate has increased since 1984. The same holds true on a national basis.

The DCPSC also argues that the Commission should allocate a portion of the GSF costs to the LECs' billing and collection services. This proposal was rejected by the Commission four years ago.[6] The DCPSC offers no new reason why the Commission should change its policy now.

For the reasons set forth herein and in their Comments, the Commission should adopt its proposal to amend its Part 69 rules regarding allocation of GSF costs.

Respectfully submitted,

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Dated: December 21, 1992

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6 See In the Matter of Amendment of Part 69 of the Commission's Rules and Regulations, Access Charges, to Conform it with Part 36, Jurisdictional Separations Procedures, FCC 88-400, ¶¶ 32, 43 (released December 12, 1988).

CERTIFICATE OF SERVICE

I certify that copies of the foregoing REPLY COMMENTS OF THE NYNEX TELEPHONE COMPANIES were served on each of the parties listed on the attached Service List, this 21st day of December, 1992, by first class United States mail, postage prepaid.

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